

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC
Form 6-K
October 25, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of October, 2005

HSBC Holdings plc

42nd Floor, 8 Canada
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-))

HSBC BANK CANADA
THIRD QUARTER 2005 RESULTS - HIGHLIGHTS

- Net income attributable to common shares was C\$325 million for the nine months ended 30 September 2005, an increase of 25.5 per cent over the same period in 2004.
- Net income attributable to common shares was C\$113 million for the quarter ended 30 September 2005, an increase of 37.8 per cent over the third quarter of 2004.
- Return on average common equity was 20.4 per cent for the nine months ended 30 September 2005 and 20.9 per cent for the quarter ended 30 September 2005 compared with 19.0 per cent and 16.4 per cent, respectively, for the same periods in 2004.
- The cost:income ratio was 52.9 per cent for the nine months ended 30 September 2005 and 51.2 per cent for the quarter ended 30 September 2005 compared with 56.1 per cent and 58.1 per cent, respectively, for the same

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

periods in 2004.

-Total assets were C\$49.4 billion at 30 September 2005 compared with C\$42.3 billion at 30 September 2004.

-Total funds under management were C\$19.9 billion at 30 September 2005 compared with C\$16.2 billion at 30 September 2004.

Financial Commentary

Overview

HSBC Bank Canada recorded net income attributable to common shares of C\$325 million for the nine months ended 30 September 2005, an increase of C\$66 million, or 25.5 per cent, from C\$259 million for the same period in 2004. Net income attributable to common shares for the quarter ended 30 September 2005 was C\$113 million, an increase of C\$31 million, or 37.8 per cent, from C\$82 million for the quarter ended 30 September 2004.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "Results for the quarter continue to be robust. The stable interest rates in Canada and strong economy continue to provide stimulus for growth. Net income in 2005 benefited from strong performance across all customer groups, which helped increase both net interest income and non-interest revenue. A stable credit environment in Canada and a strong economy has helped keep provision for credit losses lower in 2005 compared with 2004. In Personal Financial Services, growth in residential mortgages, consumer loans, and funds under management all contributed to improved performance. In Commercial Banking, growth in lending volumes contributed to strong revenue growth. Revenue in Corporate, Investment Banking and Markets was impacted by the flatter yield curve in 2005.

"We are excited about the launch of two new initiatives in the quarter which will help us to deepen our existing client relationships and attract new customers. Our LifeMap™ investment solution of bundled underlying mutual funds will help simplify investing as well as align investors' changing needs throughout all stages of their life. Our MasterCard product was upgraded to include two new HSBC Rewards programs: HSBC Travel & Merchandise Rewards, or HSBC Cash Back Rewards.

"With our positive results for this quarter and year-to-date, we have good momentum leading into the final quarter of 2005. We will ensure that our focus remains on executing core business strategies to achieve our growth objectives."

Net interest income

Net interest income for the nine months ended 30 September 2005 was C\$741 million, up C\$74 million or 11.1 per cent, compared with C\$667 million for the same period in 2004. For the quarter ended 30 September 2005, net interest income was C\$261 million, C\$31 million or 13.5 per cent higher, compared with C\$230 million for the same quarter in 2004. Growth in net interest income during 2005 has been aided by growth in assets from each of our customer groups. Despite tightening of interest rates in the US over the course of 2005, and the one increase in Canada in September of this year, economic sentiment remains positive. Average assets were C\$46.5 billion for the nine months ended 30 September 2005 compared with C\$39.6 billion for the same period in 2004 and C\$48.8 billion for the quarter ended 30 September 2005 compared with C\$40.9 billion for the same quarter last year.

Net interest margins were negatively impacted by lower average interest rates in 2005 compared with 2004. The net interest margin, as a percentage of average interest earning assets, was 2.38 per cent for the nine months ended 30

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

September 2005 compared with 2.53 per cent for the same period in 2004. For the quarter ended 30 September 2005 the net interest margin was 2.36 per cent compared with 2.51 per cent for the same period in 2004. Net interest margins have been impacted in 2005 by continued competitive product pricing, particularly in personal financial services. Additionally, a flatter yield curve in 2005 has impacted net interest margins in our treasury and markets groups.

Non-interest revenue

Non-interest revenue was C\$429 million for the nine months ended 30 September 2005, C\$46 million or 12.0 per cent higher, compared with C\$383 million for the same period in 2004. For the quarter ended 30 September 2005, non-interest revenue was C\$145 million, up C\$19 million or 15.1 per cent, compared with C\$126 million for the same quarter in 2004.

Credit fees were higher in 2005 due to increased activity in commercial banking, particularly in shorter term facilities such as bankers' acceptances, financial guarantees and letters of credit. Capital market fees improved slightly in the third quarter of 2005 as customers increased their retail trading activity on the back of improved equity markets in Canada, driven by higher natural resource prices. Investment administration fees increased in 2005 due to higher funds under management, driven partly by increases in our Private Client products. Foreign exchange revenues in 2005 have benefited from the significant volatility of the exchange rate between the Canadian and US dollars. Other non-interest revenue is higher in 2005 from stronger fee income from our Canadian Immigrant Investor Program ("CIIP") and due to upward fair value adjustments to our investment company assets, resulting from new accounting requirements in 2005.

Non-interest expenses

Non-interest expenses were C\$619 million for the nine months ended 30 September 2005, C\$30 million or 5.1 per cent higher, compared with C\$589 million for the same period in 2004. For the quarter ended 30 September 2005 non-interest expenses were C\$208 million compared with C\$207 million for the same quarter in 2004.

Salaries and benefits for the nine months ended 30 September 2005 were higher than the same period in 2004 due to an increased employee base resulting from the acquisition of Intesa Bank Canada in 2004, investments in our branch network, and higher variable-based compensation. In the third quarter of 2005, employee benefits were lower as a result of adjustments to our pension plan expenses. Other non-interest expenses were higher for the nine months to 30 September 2005 compared with 2004 due to higher transactions costs associated with increased volumes in our brokerage subsidiary and administration fees associated with the CIIP. In addition, increased activity in banking operations resulted in higher administrative and technical services fees. Non-interest expenses in 2005 included a net credit arising from successful resolution of certain commodity tax issues from previous years.

Credit quality and provision for credit losses

Provision for credit losses was C\$21 million for the nine months ended 30 September 2005 compared with C\$44 million in the same period of 2004. For the quarter ended 30 September 2005 the provision for credit losses was C\$7 million compared with C\$10 million in the same period last year. Credit quality remains stable, as has been the case for most of 2005, and reflects the strong economic conditions in Canada and the United States. This has resulted in lower default rates, primarily in loans to businesses, and related allowances for credit losses.

Gross impaired loans decreased C\$58 million to C\$132 million at 30 September 2005 compared with C\$190 million at 30 September 2004. Gross impaired loans to

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

businesses were C\$104 million at 30 September 2005 compared with C\$153 million at 30 September 2004. Gross impaired consumer loans were C\$28 million at 30 September 2005 compared with C\$37 million at the same time last year. Total impaired loans, net of specific allowances, were C\$78 million at 30 September 2005 compared with C\$108 million at 30 September 2004. The general allowance for credit losses was C\$283 million compared with C\$273 million at 30 September 2004. The total allowance for credit losses, as a percentage of loans outstanding, was 1.04 per cent per cent at 30 September 2005 compared with 1.25 per cent at 30 September 2004.

Balance sheet

Total assets at 30 September 2005 were C\$49.4 billion, an increase of C\$6.1 billion, or 14.1 per cent, from C\$43.3 billion at 31 December 2004 and an increase of C\$7.1 billion, or 16.8 per cent, from C\$42.3 billion at 30 September 2004. Loan growth during 2005 was strong across all customer groups and was supported by strong economic conditions and stable interest rates in Canada. Commercial loans increased by \$1.7 billion in 2005 to C\$15.1 billion at 30 September 2005. Residential mortgages and consumer loans grew by C\$2.2 billion to C\$17.4 billion in total at 30 September 2005.

Total deposits at 30 September 2005 were C\$38.6 billion, an increase of C\$4.8 billion from C\$33.8 billion at 31 December 2004 and an increase of C\$5.6 billion from C\$33.0 billion at 30 September 2004. Commercial deposits and deposits from banks increased during 2005 by C\$4.3 billion to C\$23.3 billion in total as at 30 September 2005. This increase was used to fund the increase in loans over the period. During 2005, personal deposits increased C\$0.4 billion to C\$15.3 billion as at 30 September 2005. At constant exchange rates, this increase would have been C\$0.6 billion.

Total assets under administration

Funds under management were C\$19.9 billion at 30 September 2005 compared with C\$16.2 billion at the same time last year and C\$18.8 billion at 30 June 2005. Including custody and administration balances, total assets under administration were C\$26.5 billion compared with C\$24.7 billion at 30 June 2005 and C\$21.4 billion at 30 September 2004.

Funds under management grew in the third quarter of 2005 due to increased activity in our securities brokerage firm, as Canadian equity markets improved supported by higher natural resource prices, and increases in funds in our Private Client products. Custodial assets under administration grew C\$0.7 billion in the third quarter due largely to higher institutional business volumes in our trust company.

Capital ratios

The tier 1 capital ratio was 8.7 per cent and the total capital ratio was 10.9 per cent at 30 September 2005. This compares with 8.7 per cent and 11.2 per cent, respectively, at 30 September 2004.

On 30 September 2005, all of the issued and outstanding Class 1 Preferred Shares - Series A, totalling C\$125 million, were redeemed for C\$25.00 per share.

Dividends

During the third quarter of 2005, we declared and paid a C\$75 million dividend on our common shares. For the fourth quarter of 2005, a C\$75 million dividend on our common shares was declared. A regular dividend of 31.875 cents per share has been declared on the Class 1 Preferred Shares - Series C. The preferred share dividends will be payable in cash on 31 December 2005, for shareholders of record on 15 December 2005.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 170 offices. With over 9,700 offices in 77 countries and territories and assets of US\$1,467 billion at 30 June 2005, the HSBC Group is one of the world's largest banking and financial services organisations. For more information about HSBC Bank Canada and its products and services, visit our website at hsbc.ca.

HSBC Bank Canada's third quarter 2005 report will be sent to shareholders during November 2005.

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Forward-looking financial information

This document contains forward-looking statements, including statements regarding the business and anticipated financial performance of HSBC Bank Canada. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where HSBC Bank Canada operates. Canada is an extremely competitive banking environment and pressures on interest rates and our net margin may arise from actions taken by individual banks acting alone. Varying economic conditions may also affect equity and foreign exchange markets, which could also have an impact on our revenues. The factors disclosed above may not be complete and there could be other uncertainties and potential risk factors not considered here which may impact our results and financial condition.

Summary

Figures in C\$ millions (except per share amounts)	Quarter ended		Nine months ended		
	30Sep05	30Jun05	30Sep04	30Sep05	30Sep04
Earnings					
Net income attributable to common shares	113	104	82	325	259
Basic earnings per share	0.23	0.21	0.17	0.67	0.54
Performance ratios (%)					
Return on average common equity	20.9	19.7	16.4	20.4	19.0
Return on average assets	0.92	0.90	0.80	0.93	0.87
Net interest margin	2.36	2.34	2.51	2.38	2.53
Cost:income					

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

ratio	51.2	54.6	58.1	52.9	56.1
Non-interest revenue:total revenue ratio	35.7	36.6	35.4	36.7	36.5
Credit information					
Impaired loans	132	125	190		
Allowance for credit losses					
- Balance at end of period	337	338	355		
- As a percentage of impaired loans	255%	270%	187%		
- As a percentage of loans outstanding	1.04%	1.09%	1.25%		
Average balances					
Assets	48,754	46,523	40,925	46,502	39,552
Loans	31,535	29,901	27,727	30,102	26,481
Deposits	38,572	37,028	31,825	36,779	30,544
Common equity	2,157	2,411	1,991	2,132	1,825
Capital ratios (%)					
Tier 1	8.7	9.0	8.7		
Total capital	10.9	11.2	11.2		
Total assets under administration					
Funds under management	19,872	18,820	16,220		
Custody accounts	6,585	5,875	5,190		
Total assets under administration	26,457	24,695	21,410		

Consolidated Statement of Income (Unaudited)

Figures in C\$ millions (except per share amounts)	Quarter ended			Nine months ended	
	30Sep05	30Jun05	30Sep04	30Sep05	30Sep04
Interest and dividend income					
Loans	417	396	352	1,187	1,030
Securities	31	25	20	80	60
Deposits with regulated financial institutions	45	39	17	114	43

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

	493	460	389	1,381	1,133
Interest expense					
Deposits	226	211	150	621	440
Debentures	6	6	9	19	26
	232	217	159	640	466
Net interest income	261	243	230	741	667
Provision for credit losses	7	6	10	21	44
Net interest income after provision for credit losses	254	237	220	720	623
Non-interest revenue					
Deposit and payment service charges	20	22	20	62	61
Credit fees	23	24	21	69	60
Capital market fees	25	24	21	81	78
Investment administration fees	24	17	16	58	45
Foreign exchange	19	19	16	55	50
Trade finance	7	7	8	21	22
Trading revenue	5	2	4	12	10
Securitization income	5	5	6	18	21
Other	17	20	14	53	36
	145	140	126	429	383
Net interest and non-interest revenue	399	377	346	1,149	1,006
Non-interest expenses					
Salaries and employee benefits	112	110	113	331	316
Premises and equipment	26	27	26	80	79
Other	70	72	68	208	194
	208	209	207	619	589
Income before the undernoted	191	168	139	530	417
Effect of accounting change	-	-	-	-	14
Income before provision for income taxes and non-controlling interest in income of trust	191	168	139	530	431

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Provision for income taxes	67	55	51	179	159
Non-controlling interest in income of trust	7	5	4	16	12
Income from continuing operations	117	108	84	335	260
Income from discontinued operations^	-	-	-	-	5
Net income	117	108	84	335	265
Preferred share dividends	4	4	2	10	6
Net income attributable to common shares	113	104	82	325	259

Average common shares outstanding (000)	488,668	488,668	488,668	488,668	478,513
Basic earnings per share (C\$)	0.23	0.21	0.17	0.67	0.54

^ Reflects the sale of HSBC Canadian Direct Insurance Incorporated effective 30 April 2004.

Condensed Consolidated Balance Sheet (Unaudited)

Figures in C\$ millions At 30Sep05 At 31Dec04 At 30Sep04

Assets

Cash and deposits with Bank of Canada	340	328	297
Deposits with regulated financial institutions	5,191	4,094	4,123
	5,531	4,422	4,420
Investment securities	2,912	1,967	2,023
Trading securities	1,459	1,055	966
	4,371	3,022	2,989

Assets purchased under reverse repurchase agreements

1,821	2,264	2,002
-------	-------	-------

Loans

- Businesses and government	15,122	13,450	13,230
- Residential mortgage	13,407	11,966	11,835
- Consumer	3,999	3,252	3,320
- Allowance for credit losses	(337)	(349)	(355)
	32,191	28,319	28,030

Customers' liability under acceptances

3,903	3,754	3,560
-------	-------	-------

Land, buildings and equipment

95	101	95
----	-----	----

Other assets

1,490	1,381	1,209
-------	-------	-------

5,488	5,236	4,864
-------	-------	-------

Total assets

49,402	43,263	42,305
--------	--------	--------

Liabilities and shareholders'

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

equity			
Deposits			
- Regulated financial institutions	1,960	635	594
- Individuals	15,267	14,818	14,822
- Businesses and governments	21,353	18,395	17,595
	38,580	33,848	33,011
Acceptances	3,903	3,754	3,560
Assets sold under repurchase agreements	286	23	119
Other liabilities	3,400	2,785	2,725
Non-controlling interest in trust and subsidiary	430	230	230
	8,019	6,792	6,634
Subordinated debentures	423	426	501
Shareholders' equity			
- Preferred shares	175	125	125
- Common shares	1,125	1,125	1,125
- Contributed surplus	184	177	175
- Retained earnings	896	770	734
	2,380	2,197	2,159
Total liabilities and shareholders' equity	49,402	43,263	42,305

Condensed Consolidated Statement of Cash Flows (Unaudited)

Figures in C\$millions	Quarter ended			Nine months ended	
	30Sep05	30Jun05	30Sep04	30Sep05	30Sep04
Cash flows (used in)/ provided by:					
- Operating activities	412	(293)	(28)	524	356
- Financing activities	1,174	2,154	841	4,990	2,823
- Investing activities	(1,483)	(1,623)	(641)	(4,697)	(2,772)
Increase in cash and Cash equivalents	103	238	172	817	407
Cash and cash equivalents, beginning of period	4,721	4,483	3,684	4,007	3,449
Cash and cash equivalents, end of period	4,824	4,721	3,856	4,824	3,856
Represented by:					
- Cash resources per balance sheet	5,531	5,344	4,420		
- less non-operating deposits^	(707)	(623)	(564)		
- Cash and cash equivalents, end of period	4,824	4,721	3,856		

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

^ Non operating deposits are comprised primarily of cash which reprices after 90 days and cash restricted for recourse on securitization transactions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:
Name: P A Stafford
Title: Assistant Group Secretary
Date: 25 October 2005